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EXCISE

D76

PAGE:0357

INQUIRE=DOC18D
ITEM NO=00418184
ENVELOPE

CDSN = LGX068 MCN = 92196/27084 TOR = 921961820
RTTCZYUW RUEKJCS6813 1961819-CCCC--RUEALGX.
ZNY CCCCC

HEADER

R 141819Z JUL 92
FM JOINT STAFF WASHINGTON DC
INFO RUEADWD/OCSA WASHINGTON DC
RUEAHQA/CSAF WASHINGTON DC
RUEADWD/PTC WASH DC
RUFGAID/USEUCOM AIDES VAIHINGEN GM
RHDLCNE/CINCUSNAVEUR LONDON UK//N2/N22//
RUEOACC/CDRPSYOPGP FT BRAGG NC//AORC-POG-SB//
RUCJACC/USCINCCENT MACDILL AFB FL//CARA//
RULKQAN/MARCORINTCEN QUANTICO VA
RUSNNOA/USCINCEUR VAIHINGEN GM
RUEALGX/SAFE

R 141145Z JUL 92
FM AMCONSUL JEDDAH
TO RUEHC/SECSTATE WASHDC 1023
RUEHQM/GCC COLLECTIVE
RUFHLD/AMEMBASSY LONDON 6952
RUEHDH/AMCONSUL DHAHRAN 1417
RUEATRS/TREASURY WASHDC

BT

CONTROLS

C O N F I D E N T I A L JEDDAH 01262

E.O. 12356: DECL: OADR

BODY

TAGS: EFIN, PREL, SA
SUBJECT: INDICTMENT OF KHALID BIN MAHFOUZ

REF: (A) RIYADH 5034 (NOTAL), (B) RIYADH 5025 (NOTAL)

1. (C - ENTIRE TEXT).

2. THE RECENT NEW YORK INDICTMENT AGAINST NATIONAL COMMERCIAL BANK CEO KHALID BIN MAHFOUZ IS VERY MUCH THE TALK OF THE TOWN IN JEDDAH. MOST JEDDAH BUSINESSMEN DRAW LITTLE DISTINCTION BETWEEN NCB AND THE BIN MAHFOUZ FAMILY. MANY ARE ASKING WHAT EFFECT THE BANK'S PROBLEMS WILL HAVE ON THE BUSINESS CLIMATE IN JEDDAH.

B1

MOST OBSERVERS CONTINUE TO REGARD IT AS INCONCEIVABLE

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DEPARTMENT OF STATE

IS/FPC/CDR

DRP Date. 9/8/94

() RELEASE () DECLASSIFY
☒ EXCISE ☒ DECLASSIFY
() DENY IN PART
() DELETE Non-Responsive Info
FOIA Exemptions B1
PA Exemptions

MR Cases Only:
EO Citations

TS authority to
() CLASSIFY as () S or () C OADR
() DOWNGRADE TS to () S or () C OADR

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PAGE:0358

THAT THE GOVERNMENT WOULD ALLOW NCB TO FAIL.

3. ACCOUNTS OF BIN MAHFOUZ'S DEALINGS WITH BCCI HAVE BEEN CIRCULATING IN JEDDAH FOR MONTHS. MOST ARE FAIRLY CONSISTENT AND GO SOMETHING LIKE THIS. GAITH PHARAON BORROWED MONEY FROM BCCI IN WHICH HE ALSO OWNED STOCK. BCCI LATER ASKED PHARAON FOR COLLATERAL. PHARAON THEN ASKED MAHFOUZ AND NCB TO GUARANTEE HIS LOAN FROM BCCI. PHARAON USED HIS BCCI STOCK AS COLLATERAL FOR THE NEW LOAN GUARANTEE HE GOT FROM NCB. NCB ALSO MADE DEPOSITS WITH BCCI AS PART OF THIS ARRANGEMENT. WHEN PHARAON DEFAULTED ON HIS LOAN FROM BCCI, NCB PAID HIS DEBT AND TOOK THE BCCI STOCK HE HAD PUT UP AS COLLATERAL. THE ACTIONS OF NCB AS AN INSTITUTION AND KHALID BIN MAHFOUZ AS AN INDIVIDUAL IN THIS REMAINS BLURRED.

4. THE JEDDAH MERCHANT COMMUNITY, ESPECIALLY MANY OF THOSE WITH YEMENI BACKGROUND, CONSIDER KHALID BIN MAHFOUZ ONE OF THEIR OWN AND ARE RALLYING TO HIS DEFENSE. THERE IS A PRONOUNCED BELIEF THAT BIN MAHFOUZ IS BEING HARASSED AND PERSECUTED BY ANTI-ARAB INTERESTS IN THE U.S. LOCAL PRESS COVERAGE HAS TENDED TO SUPPORT THIS VIEW WITH QUOTES FROM LEADING LOCAL BUSINESS FIGURES REGARDING BIN MAHFOUZ'S HONESTY OR LACK OF MOTIVE FOR CHEATING CLIENTS OF HIS ALLEGEDLY PROFITABLE BANK. HE IS ESPECIALLY LAUDED FOR HIS GENEROSITY, OFTEN EXCEEDING THAT OF OTHER MERCHANT PRINCES, TO CHARITABLE CAUSES. GRIFFIN

ADMIN

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